

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6913**

**BILL NUMBER:** HB 1338

**NOTE PREPARED:** Jan 7, 2009

**BILL AMENDED:**

**SUBJECT:** Incentives provided by the IEDC.

**FIRST AUTHOR:** Rep. Pelath

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill requires the IEDC to provide an annual report on the effectiveness of incentives and incentive payback activity. It provides that the Indiana Economic Development Corporation (IEDC) must require an applicant to agree to an employment number in an incentive contract. It requires that an incentive contract must include an incentive pay back provision that allows the IEDC to require an incentive recipient that is in partial non-compliance, to repay a proportionate share of the incentive to the IEDC, plus interest at 10% and to require that if a recipient moves, closes, or transfers positions out of Indiana, the IEDC shall recoup the entire incentive provided, plus interest.

It requires a full-time compliance officer in the IEDC to review whether incentive recipients are complying with the incentive agreement. It requires incentive recipients to provide an annual report on compliance with employment goals. The bill also prohibits the IEDC from providing an incentive to a person if that person is subject to an incentive: (1) payback requirement in Indiana until repayment is made; or (2) payback requirement in another state until the earlier of five years after the date of the person's application to the IEDC or until the repayment is made to the other state.

**Effective Date:** July 1, 2009.

**Explanation of State Expenditures:** *Indiana Economic Development Corporation (IEDC):* This bill requires the IEDC to provide an annual report each August regarding the effectiveness of incentives provided on their web site. The report must include a section regarding compliance with incentive agreements and any incentive that had to be reduced or paid back as a result of noncompliance with the agreement.

The bill also provides that the IEDC must receive agreement by applicants to the following for any

incentives: a specific number of individuals that will be employed by the applicant as of a specified date each year; an annual compliance report detailing compliance or progress toward compliance with cooperation with federal, state, and local governments and agencies in the coordination of programs to make the best use of Indiana resources; that the IEDC is entitled to demand a portion of any incentive that has been received plus interest if fewer individuals are employed than the number agreed to initially; and that the IEDC is entitled to demand the entire incentive that has been received plus interest if the applicant moves, closes, or transfers employment positions out of Indiana.

The bill requires the IEDC to hire a compliance officer. The duties described in the bill are currently being performed by several staff at IEDC, so this provision would be accomplished through existing resources.

**Explanation of State Revenues:** If applicants do not comply with the provisions agreed to when receiving incentives, they must pay back the appropriate amounts plus 10% in interest. The fiscal impact is indeterminable because it will depend upon the extent to which applicants violate the provisions of their incentive agreements. This bill could potentially reduce the number of companies that would have chosen to relocate facilities to Indiana.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** IEDC.

**Local Agencies Affected:**

**Information Sources:** Ryan Asberry, IEDC, 317-232-8962.

**Fiscal Analyst:** Jessica Harmon, 317-232-9854.